

CITY OF LONG BEACH, NEW YORK

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

WITH INDEPENDENT AUDITORS' REPORT

CITY OF LONG BEACH, NEW YORK

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O'Connor Davies Munns & Dobbins, llp

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the City Manager and the City Council
of the City of Long Beach, New York:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Long Beach, New York ("City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2011 and the respective changes in financial position, thereof, and the respective budgetary comparison for the General, Water and Sewer funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Funding Progress - Other Post Employment Benefits and the Schedules of Funding Progress and Contributions for the Fire Service Awards Program be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
January 11, 2012

CITY OF LONG BEACH, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2011

INTRODUCTION

Our discussion and analysis of the financial performance of the City of Long Beach, New York ("City") provides an overview of the City's financial activities for the year ended June 30, 2011. To enhance understanding of the City's financial performance, it should be read in conjunction with the basic financial statements, which immediately follow this section.

Before getting into this discussion, it is important to note for this year's financial statement presentation that the Governmental Accounting Standards Board ("GASB") issued its Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements for the fiscal period ending June 30, 2011; therefore they are reflected in this analysis for the first time. Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

According to GASB, these changes were made to bring greater clarity and consistency to fund balance reporting.

Key financial highlights for fiscal year 2011 are as follows:

- On the government-wide financial statements, the liabilities of the City exceeded its assets at the close of the most recent fiscal year by \$3,365,111 (net assets). Of this amount, the unrestricted portion is a deficit of \$42,276,165. This deficit results primarily from the accrual of certain operating liabilities pursuant to GASB Statement No. 34, which will be satisfied in future years, including retirement system obligations, compensated absences and the accrual of the City's annual other post employment benefit cost in accordance with the provisions of GASB Statement No. 45.
- As of the close of the current fiscal year, the City's governmental fund financial statements reported a combined ending fund balance of \$5,826,112, a decrease of \$7,560,956 in comparison with the prior year (inclusive of prior period adjustments). However, exclusive of the Capital Projects Fund, the combined ending fund balances decreased by \$4,020,387 to \$2,226,311. This latter amount reflects deficit balances in the Water and Sewer funds (\$212,995 and \$929,039, respectively), offset by fund balances of \$2,280,377 in the General Fund, \$1,085,758 in the Debt Service Fund and \$2,210 in the Community Development Fund.
- Of the total fund balance reported in the General Fund of \$2,280,377, \$1,156,466 is deemed nonspendable as a result of the deficits reported in the Water and Sewer funds. The General Fund has had to advance cash resources to support these funds and it is unlikely that these advances can or will be repaid within the subsequent fiscal year. An additional \$1,016,784 of the total fund balance of the General Fund has been assigned to reflect that \$932,729 was used to balance the 2011/12 operating budget while \$84,055 is set aside to satisfy purchase commitments. Accordingly, unassigned fund balance (formerly referred to as undesignated fund balance) in the General Fund is a modest \$107,127, which is less than .1% of the General Fund budget. Only this amount is available for spending at the City's discretion.
- The City retired \$4,130,000 of general obligation bonded indebtedness. No additional long-term indebtedness was issued in the 2010/11 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

- The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.
- The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.
- The *governmental activities* of the City public safety, education, transportation, economic opportunity and development, culture and recreation, home and community services, interest and general administrative support.

The government-wide financial statements can be found on the pages immediately following this section, as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The City maintains seven individual governmental funds; General Fund, Water Fund, Sewer Fund, Debt Service Fund, Capital Projects Fund and Community Development Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Water Fund, Sewer Fund, Debt Service Fund and Capital Projects Fund, which are considered to be major funds. Data for the Community Development Fund is reflected as a non-major governmental fund.
- The City adopts an annual budget for its General Fund, Water Fund, Sewer Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General, Water and Sewer funds within the basic financial statements to demonstrate compliance with the respective budget.
- The City maintains a *proprietary* fund, which is an *internal service fund*, to account for its self-insured workers' compensation and general liability programs. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. These benefits have been included within governmental activities in the government-wide financial statements.
- The *Fiduciary Funds* are used to account for assets held by the City in an agency capacity on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support the City's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found following the basic financial statements section of this report.

Other Information

Additional statements and schedules can be found immediately following the notes to financial statements. These include required supplementary information and schedules of budget to actual comparisons.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

Total assets of the City on June 30, 2011, were \$99.2 million, a decrease of \$8.4 million from the prior year. Total liabilities were \$102.6 million, an increase of \$8.0 million over the prior year. This results in a net deficit balance of \$3.3 million, a decrease of \$16.3 million from the prior year. Of the City's net assets, \$34.2 million were invested in capital assets net of related debt, while \$4.6 million were restricted by statute or other legal requirements, and were not available to finance day-to-day operations of the City. The unrestricted net deficit was \$42.2 million, an increase of \$17.6 million from the prior year.

	June 30, 2011	June 30, 2010	% Change
Current Assets	\$ 15,265,873	\$ 21,835,215	(30.1) %
Capital Assets, net	83,987,019	85,844,036	2.2
Total Assets	99,252,892	107,679,251	(7.8)
Current Liabilities	8,185,464	6,307,183	(29.8)
Long-term Liabilities	94,432,539	88,301,619	6.9
Total Liabilities	102,618,003	94,608,802	8.5
Net Assets (Deficit):			
Investment in capital assets, net of related debt	34,223,285	27,593,487	24.0
Restricted	4,687,769	10,084,304	(53.5)
Unrestricted	(42,276,165)	(24,607,342)	71.8
Total Net Assets	\$ (3,365,111)	\$ 13,070,449	(125.7) %

By far, the largest component of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens and consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Those assets subject to external restrictions listed above constitute \$4,687,769 of net assets and are comprised of amounts designated for specific purposes, i.e., capital projects, debt service and community development purposes. The remaining balance represents an unrestricted net deficit of \$42,276,165. This deficit results mainly from the accrual of the City's other post employment benefit obligation, aggregating \$12,064,420, at June 30, 2011 as well as the long-term liabilities for compensated absences of \$23,265,109 and claims of \$7,240,761.

Changes in Net Assets

The City's program revenues for the year ended June 30, 2011 were \$32.1 million, an increase of \$4,662,374, and general revenues were \$38.4 million, a decrease of \$377,372 from the prior year. The expenses for the year ended June 30, 2011 of the City were \$87.6 million, an increase of \$11.1 million. As a result of expenses exceeding revenues, the change in net assets for the year ended June 30, 2011 was a decrease of \$16.4 million.

	June 30, 2011	June 30, 2010	% Change
Revenues:			
Program Revenues:			
Charges for services	\$ 28,434,366	\$ 23,570,745	20.6 %
Operating grants and contributions	2,016,441	1,738,537	16.0
Capital grants and contributions	1,741,705	2,220,856	21.6
General Revenues:			
Real property taxes	28,455,745	27,584,842	3.2
Other tax items	538,680	527,133	
Non-property taxes	4,842,213	4,207,475	
Unrestricted use of money and property	49,700	757,026	(93.4)
Sale of property and compensation for loss	380,236	1,273,786	(70.1)
Unrestricted state aid	4,033,790	4,197,855	-
Miscellaneous	139,921	269,540	(48.1)
Total Revenues	70,632,797	66,347,795	(6.5)
Expenses:			
General government support	18,787,878	15,635,842	(20.2)
Public safety	30,482,743	25,206,711	20.9
Education	230,415	168,005	37.1
Transportation	3,587,487	3,384,226	6.0
Economic opportunity and development	200,859	182,659	(10.0)
Culture and recreation	11,661,570	10,544,582	10.6
Home and community services	20,514,314	19,465,577	(5.4)
Interest	2,199,936	1,915,005	14.9
Total Expenses	87,665,202	76,502,607	(14.6)
Change in Net Assets	(17,032,405)	(10,154,812)	(67.7)
Net Assets, Beginning of Year, as reported	13,070,449	23,225,261	(43.7)
Prior Period Adjustments	596,845	-	-
Net Assets, Beginning of Year, as restated	13,667,294	23,225,261	41.2
Net Assets, End of Year	\$ (3,365,111)	\$ 13,070,449	(125.7) %

Governmental Activities

The primary program activities of the City included:

- Water service
- Refuse disposal
- Street maintenance and lighting
- Snow removal
- Recreational activities

Substantially all of the City's revenues are generated through property taxes and charges for services.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Total assets in the City's General Fund were \$9.3 million. Cash balances in FDIC insured institutions totaled \$2.4 million. Accounts receivable consisted of \$0.5 million of relieved water and sewer charges. Receivables from state, federal and other governments aggregated \$1.5 million, consisting primarily of \$0.4 million for sales taxes, \$0.2 million for mortgage taxes and \$0.8 million for various other receivables associated with state and federally funded programs. Assets also include \$4.9 million due from other funds, including \$1.1 million advanced to the Water and Sewer funds that is not expected to be repaid in the next annual operating cycle, due to deficits that exist in these funds.

Total liabilities in the City's General Fund were \$7.0 million. Accrued liabilities of \$1.7 million were the result of termination salaries owed to retired employees and \$1.2 million represents the obligation owed to the New York State Employees and Police and Fire Retirement systems for the salaries earned for the three month period April 2011 through June 2011 that is payable in December 2011. Deferred revenues of \$0.2 million resulted from the recreation and camp fees collected in advance for July and August 2011. Liabilities also include \$2.5 million owed to other funds.

As of June 30, 2011, governmental funds reported overall fund balances of \$5.8 million. Of this amount, \$1.1 million is deemed nonspendable, recognizing that the cash advanced by the General Fund to the Water and Sewer funds to provide cash flows in light of the deficits that exist in those funds cannot be repaid to the General Fund within the next annual operating cycle. Restricted fund balance of \$4.7 million primarily represents the fund balance in the Capital Projects Fund of \$3.6 million that can only be used to fund authorized capital projects. Assigned fund balance of \$1 million primarily represents the amounts appropriated in the General Fund to balance the 2011/12 operating budget and provide property tax relief. Accordingly, this leaves a deficit balance of \$1 million in unassigned fund balance, primarily representing the accumulated fund deficits in the Water and Sewer funds.

In the General Fund, the fund balance has decreased to \$2.28 million. After accounting for the amounts considered nonspendable due to the deficits in the Water and Sewer funds (\$1.1 million) and the amount appropriated to balance the 2011/12 spending plan of approximately \$1 million reflected as assigned fund balance, the General Fund is left with a modest \$107,127 in unassigned fund balance, which is available for spending at the City's discretion. Expenditures and other financing uses of \$64 million exceeded the amount contained in the budget by \$1.7 million while revenues and other financing sources fell short of budgetary expectations by approximately \$1 million, thus contributing to a decline in fund balance from the prior year of approximately \$2.7 million. This was partially mitigated by a prior period adjustment of \$1.1 million, resulting

from a correction as to how certain pension obligations had been reported as liabilities in the prior year's financial statements. Accordingly, fund balance decreased by a net of \$1.6 million from the \$3.8 million total fund balance reported at June 30, 2010. Areas where expenditures exceeded budget included termination payments, payroll costs in the police and fire departments, employee benefits and debt service obligations. Revenues fell short of budgetary expectations in the areas of utilities gross receipts taxes, earnings on investments and mortgage tax receipts. These shortfalls were only partially mitigated by better than expected collections non property tax distributions from the County and beach charges.

In the Water and Sewer funds, there was a combined decrease in fund balance of \$600,000, resulting in a combined fund deficit of \$1.1 million at June 30, 2011. The current revenue streams are insufficient to support the combined operating and debt service costs for these functions.

The Debt Service Fund has a total fund balance of \$1.0 million, down from \$2.8 million in the prior year, all of which is restricted for the payment of debt service. The net decrease in fund balance of \$1.67 million represents the planned use to help pay down current year principal and interest obligations, without any additional tax levy impact.

The Capital Projects Fund has a total fund balance of \$3.6 million, a decrease in fund balance of \$3.5 million. This is due to the timing of when revenues are recorded from the issuance of long-term debt, and when the expenditures for the related projects are incurred.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the current year, there was no change in the total budgetary estimates for revenues or expenditures from that adopted by the City Council in the spring of 2010.

Actual expenditures and other financing sources exceeded budgetary estimates by \$1.6 million, primarily in the public safety areas. At the same time, revenues and other financing sources fell short of budgetary expectations by almost \$1 million. Mortgage tax receipts did not meet budget by \$1.4 million as a result of slow home sales and interest revenue did not meet budget by \$0.1 million as a result of low interest rates. Utilities gross receipt taxes collected by the City also were \$1.4 million lower than budget. The aforementioned decreases in revenues were partially offset by a \$0.8 million increase in departmental income as a result of higher than budgeted collections of beach charges and fees associated with the operation of the Long Beach Arena.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the City had \$83.9 million in net capital assets, of which \$54.4 million was infrastructure. The City's capital assets also include land, buildings and improvements, construction-in-progress and machinery and equipment. The details of capital assets are shown in Note 3.B in the notes to financial statements.

<u>Category</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>% Change</u>
Land	\$ 4,135,210	\$ 4,135,210	- %
Buildings and improvements	5,402,144	5,783,299	(6.6)
Machinery and equipment	6,633,726	8,256,533	19.7
Infrastructure	54,497,094	57,634,049	(5.4)
Construction-in-progress	13,318,845	10,034,945	32.7
Total	<u>\$ 83,987,019</u>	<u>\$ 85,844,036</u>	<u>2.2 %</u>

The Capital Budget is a long range financing guide and not a definitive plan. The City Council must authorize each appropriation before any project is initiated. Each project may be financed by issuance of general obligation bonds, which, at times, are preceded by the issuance of bond anticipation notes for various periods of time depending on the period's probable usefulness of the purpose of expenditure.

Long-Term Debt

The City issues both general obligation bonds and bond anticipation notes. During the fiscal year ended June 30, 2011, the City did not issue any general obligation bonds. The details of City's long-term obligations are shown in Note 3.F in the notes to financial statements.

The New York State Constitution limits the power of the City (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations, in summary form, as generally applicable to the City, include the following:

Purpose and pledge - Subject to certain enumerated exceptions, the City shall not give or loan any money or property to, or in aid of, any individual or private corporation or private undertaking or give or loan its credit to, or in aid of, any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its full faith and credit for the payment of principal and interest thereon.

Payment and Maturity – Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal years, indebtedness shall be paid in annual installments commencing no later than two years after the date of such indebtedness shall have been contracted and ending no later than the expiration of the probable usefulness of the object of purpose as determined by statute; no installment may be more than fifty percent (50%) in excess of the smallest prior installment unless the City authorized the issuance of bonds with a substantial level of declining debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its general obligation bonds and such required annual installments on its notes.

Debt Limit - The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven percent (7%) of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and sewer facilities and cash or appropriations for current debt service.

The constitutional method of determining full valuation is calculated by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Board of Equalization and Assessment.

The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking a sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

At June 30, 2011, the total outstanding bonded indebtedness of the City aggregated \$48.3 million. Of this amount, \$35.2 million was subject to the constitutional debt limit and represented approximately 9.4% of the statutory debt limit.

UNION CONTRACTS

The City employs approximately 360 full-time employees as of June 30, 2011. The Civil Service Employees Association ("CSEA") covers approximately 234 employees. Their contract was renewed on July 1, 2009 and will expire June 30, 2015. The International Association of Firefighters AFL-CIO Uniform Firefighters Association Local 287 covers approximately 27 employees. Their contract expired on June 30, 2010 and is in the process of being renewed. The Patrolmen's Benevolent Association of Long Beach covers approximately 77 employees. Their contract expired on June 30, 2008 and is in the process of being renewed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the City's citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

The City of Long Beach, New York
Office of the City Comptroller
City Hall
1 West Chester Street
Long Beach, NY 11561
(516) 431-1000

CITY OF LONG BEACH, NEW YORK

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 8,215,179
Investments	163,375
Receivables:	
Accounts	1,213,390
Water rents	1,873,307
Sewer rents	1,607,749
State and Federal aid	616,338
Due from other governments	1,256,565
Deferred charges	319,970
Capital assets (net of accumulated depreciation):	
Land	4,135,210
Buildings and improvements	5,402,144
Machinery and equipment	6,633,726
Infrastructure	54,497,094
Construction-in-progress	13,318,845
Total Assets	<u>99,252,892</u>
LIABILITIES	
Accounts payable	3,380,880
Accrued liabilities	2,149,245
Accrued interest payable	629,771
Retainages payable	194,605
Due to other governments	142,188
Due to retirement systems	1,362,694
Overpayments	78,508
Unearned revenues	247,573
Non-current liabilities:	
Due within one year:	
Bonds payable	3,938,000
Installment purchase debt	447,806
Retirement incentives and other pension obligations	394,944
Compensated absences	2,300,000
Claims payable	1,112,444
Due in more than one year:	
Bonds payable	44,061,626
Installment purchase debt	1,636,272
Retirement incentives and other pension obligations	1,383,601
Compensated absences	20,965,109
Claims payable	6,128,317
Other post employment benefit obligations payable	12,064,420
Total Liabilities	<u>102,618,003</u>
NET ASSETS	
Invested in capital assets, net of related debt	34,223,285
Restricted for:	
Capital projects	3,599,801
Community development purposes	2,210
Debt service	1,085,758
Unrestricted	(42,276,165)
Total Net Assets	<u>\$ (3,365,111)</u>

The notes to financial statements are an integral part of this statement.

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STATEMENT OF ACTIVITIES
YEAR END JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government support	\$ 18,787,878	\$ 755,119	\$ -	\$ -	\$ (18,032,759)
Public safety	30,482,743	2,170,621	470,874	-	(27,841,248)
Education	230,415	-	-	-	(230,415)
Transportation	3,587,487	494,723	828,059	997,798	(1,266,907)
Economic opportunity and development	200,859	-	-	-	(200,859)
Culture and recreation	11,661,570	6,972,456	81,635	578,922	(4,028,557)
Home and community services	20,514,314	18,041,447	635,873	129,776	(1,707,218)
Interest	2,199,936	-	-	35,209	(2,164,727)
Total Governmental Activities	<u>\$ 87,665,202</u>	<u>\$ 28,434,366</u>	<u>\$ 2,016,441</u>	<u>\$ 1,741,705</u>	<u>(55,472,690)</u>
General Revenues:					
Real property taxes					28,455,745
Other tax items:					
Hospital bulkhead assessment					160,003
Interest and penalties on real property taxes					256,845
Payments in lieu of taxes					121,832
Non-property taxes:					
Non-property tax distribution from County					3,108,025
Utilities gross receipts taxes					931,713
Hotel occupancy taxes					78,000
Special franchise fees					724,475
Unrestricted use of money and property					49,700
Sale of property and compensation for loss					380,236
Unrestricted State aid					4,033,790
Miscellaneous					139,921
Total General Revenues					<u>38,440,285</u>
Change in Net Assets					<u>(17,032,405)</u>
Net Assets - Beginning of Year, as reported					13,070,449
Prior Period Adjustments					<u>596,845</u>
Net Assets - Beginning of Year, as restated					<u>13,667,294</u>
Net Assets - End of Year					<u>\$ (3,365,111)</u>

The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Water	Sewer	Debt Service
ASSETS				
Cash and Equivalents	\$ 2,367,672	\$ 45	\$ 45	\$ 524,732
Investments	-	-	-	163,375
Receivables:				
Accounts	470,349	-	-	-
Water rents	-	1,873,307	-	-
Sewer rents	-	-	1,607,749	-
State and Federal aid	616,338	-	-	-
Due from other governments	867,634	-	237,279	-
Due from other funds	3,829,829	608,140	660,200	2,260,860
Advances to other funds	1,156,466	-	-	-
	6,940,616	2,481,447	2,505,228	2,260,860
Total Assets	\$ 9,308,288	\$ 2,481,492	\$ 2,505,273	\$ 2,948,967
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Accounts payable	\$ 1,069,519	\$ 512,890	\$ 981,330	\$ -
Accrued liabilities	1,715,023	285,942	141,494	-
Retainages payable	-	-	-	-
Due to other governments	81,526	-	60,662	-
Due to retirement systems	1,281,811	80,883	-	-
Overpayments	78,508	-	-	-
Due to other funds	2,553,951	1,598,468	1,310,664	1,863,209
Advances from other funds	-	216,304	940,162	-
Deferred revenues	247,573	-	-	-
Total Liabilities	7,027,911	2,694,487	3,434,312	1,863,209
Fund Balances (Deficits):				
Nonspendable	1,156,466	-	-	-
Restricted	-	-	-	1,085,758
Assigned	1,016,784	3,309	11,123	-
Unassigned	107,127	(216,304)	(940,162)	-
Total Fund Balances (Deficits)	2,280,377	(212,995)	(929,039)	1,085,758
Total Liabilities and Fund Balances (Deficits)	\$ 9,308,288	\$ 2,481,492	\$ 2,505,273	\$ 2,948,967

The notes to financial statements are an integral part of this statement.

<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,921,909	\$ 75,728	\$ 6,890,131
-	-	163,375
743,041	-	1,213,390
-	-	1,873,307
-	-	1,607,749
-	-	616,338
-	151,652	1,256,565
44,174	189,815	7,593,018
-	-	1,156,466
787,215	341,467	15,316,833
<u>\$ 4,709,124</u>	<u>\$ 417,195</u>	<u>\$ 22,370,339</u>

\$ 720,500	\$ 85,778	\$ 3,370,017
-	6,786	2,149,245
194,605	-	194,605
-	-	142,188
-	-	1,362,694
-	-	78,508
194,218	322,421	7,842,931
-	-	1,156,466
-	-	247,573
1,109,323	414,985	16,544,227
-	-	1,156,466
3,599,801	2,210	4,687,769
-	-	1,031,216
-	-	(1,049,339)
3,599,801	2,210	5,826,112
<u>\$ 4,709,124</u>	<u>\$ 417,195</u>	<u>\$ 22,370,339</u>

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CITY OF LONG BEACH, NEW YORK

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances - Total Governmental Funds	<u>\$ 5,826,112</u>
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Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>83,987,019</u>
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Internal service funds are used by management to charge the costs of workers' compensation and general liability claims activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>(5,234,142)</u>
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Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred charges	<u>319,970</u>

Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(629,771)
Bonds payable	(47,999,626)
Installment purchase debt	(2,084,078)
Retirement incentives and other pension obligations	(1,778,545)
Compensated absences payable	(23,265,109)
Claims payable	(442,521)
Other post employment benefit obligations payable	<u>(12,064,420)</u>
	<u>(88,264,070)</u>

Net Assets of Governmental Activities	<u><u>\$ (3,365,111)</u></u>
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The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Water	Sewer	Debt Service
REVENUES				
Real property taxes	\$ 28,455,745	\$ -	\$ -	\$ -
Other tax items	538,680	-	-	-
Non-property taxes	4,842,213	-	-	-
Departmental income	16,973,120	4,228,034	3,932,181	-
Intergovernmental charges	745,290	-	467,361	-
Use of money and property	427,211	-	24,696	35,209
Licenses and permits	686,036	3,250	4,500	-
Fines and forfeitures	927,230	-	-	-
Sale of property and compensation for loss	380,236	12,400	-	-
State aid	5,070,091	-	-	-
Federal aid	280,294	-	-	-
Miscellaneous	203,894	36	-	-
Total Revenues	59,530,040	4,243,720	4,428,738	35,209
EXPENDITURES				
Current:				
General government support	10,853,679	494,560	277,406	-
Education	230,415	-	-	-
Public safety	16,110,133	-	-	-
Transportation	1,757,325	-	-	-
Economic opportunity and development	118,171	-	-	-
Culture and recreation	6,965,975	-	-	-
Home and community services	8,563,787	2,361,498	2,868,012	-
Employee benefits	15,314,376	666,424	675,558	-
Debt service:				
Principal	-	-	-	4,527,491
Interest	-	-	-	1,843,440
Capital outlay	-	-	-	-
Total Expenditures	59,913,861	3,522,482	3,820,976	6,370,931
Excess (Deficiency) of Revenues Over Expenditures	(383,821)	721,238	607,762	(6,335,722)
OTHER FINANCING SOURCES (USES)				
Installment purchase debt issued	-	-	-	-
Transfers in	1,750,028	-	8,103	6,370,930
Transfers out	(4,096,320)	(911,635)	(1,110,753)	(1,703,028)
Total Other Financing Sources (Uses)	(2,346,292)	(911,635)	(1,102,650)	4,667,902
Net Change in Fund Balances	(2,730,113)	(190,397)	(494,888)	(1,667,820)
Fund Balances (Deficits) - Beginning of Year, as reported	3,848,453	(73,421)	(472,268)	2,753,578
Prior Period Adjustments	1,162,037	50,823	38,117	-
Fund Balances (Deficits) - Beginning of Year, as restated	5,010,490	(22,598)	(434,151)	2,753,578
Fund Balances (Deficits) - End of Year	\$ 2,280,377	\$ (212,995)	\$ (929,039)	\$ 1,085,758

The notes to financial statements are an integral part of this statement.

Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 28,455,745
-	-	538,680
-	-	4,842,213
-	-	25,133,335
-	-	1,212,651
-	82,962	570,078
-	-	693,786
-	-	927,230
-	-	392,636
283,064	-	5,353,155
844,510	598,179	1,722,983
578,922	-	782,852
<u>1,706,496</u>	<u>681,141</u>	<u>70,625,344</u>
-	-	11,625,645
-	-	230,415
-	-	16,110,133
-	-	1,757,325
-	-	118,171
-	-	6,965,975
-	608,962	14,402,259
-	-	16,656,358
-	-	4,527,491
-	-	1,843,440
<u>5,523,849</u>	<u>-</u>	<u>5,523,849</u>
<u>5,523,849</u>	<u>608,962</u>	<u>79,761,061</u>
<u>(3,817,353)</u>	<u>72,179</u>	<u>(9,135,717)</u>
323,784	-	323,784
-	-	8,129,061
<u>(47,000)</u>	<u>(260,325)</u>	<u>(8,129,061)</u>
<u>276,784</u>	<u>(260,325)</u>	<u>323,784</u>
<u>(3,540,569)</u>	<u>(188,146)</u>	<u>(8,811,933)</u>
7,140,370	190,356	13,387,068
-	-	1,250,977
<u>7,140,370</u>	<u>190,356</u>	<u>14,638,045</u>
<u>\$ 3,599,801</u>	<u>\$ 2,210</u>	<u>\$ 5,826,112</u>

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CITY OF LONG BEACH, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds \$ (8,811,933)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. This amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold and are not capitalized.

Capital outlay expenditures	5,230,669
Depreciation expense	(7,087,686)
	(1,857,017)

Bond and installment purchase debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Installment purchase debt issued	(323,784)
Principal paid on bonds	4,130,000
Principal paid on installment purchase debt	397,491
Amortization of issuance costs and loss on refunding bonds	(160,838)
	4,042,869

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest	(275,651)
Compensated absences	(2,524,168)
Retirement incentives and other pension obligations	(527,568)
Claims payable	(442,521)
Other post employment benefit obligations	(4,405,231)
	(8,175,139)

Internal service funds are used by management to charge the cost of risk activities to individual funds. The net revenue of internal service funds is reported within governmental activities.

(2,231,185)

Change in Net Assets of Governmental Activities \$ (17,032,405)

The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL, WATER AND SEWER FUNDS
 YEAR ENDED JUNE 30, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 28,703,801	\$ 28,703,801	\$ 28,455,745	\$ (248,056)
Other tax items	366,909	366,909	538,680	171,771
Non-property taxes	5,316,000	5,316,000	4,842,213	(473,787)
Departmental income	16,503,170	16,503,170	16,973,120	469,950
Intergovernmental charges	720,401	720,401	745,290	24,889
Use of money and property	633,000	633,000	427,211	(205,789)
Licenses and permits	581,700	581,700	686,036	104,336
Fines and forfeitures	903,000	903,000	927,230	24,230
Sale of property and compensation for loss	189,000	189,000	380,236	191,236
State aid	6,395,756	6,395,756	5,070,091	(1,325,665)
Federal aid	77,354	77,354	280,294	202,940
Miscellaneous	181,000	181,000	203,894	22,894
Total Revenues	60,571,091	60,571,091	59,530,040	(1,041,051)
EXPENDITURES				
Current:				
General government support	12,443,102	12,289,620	10,853,679	1,435,941
Education	103,000	103,000	230,415	(127,415)
Public safety	13,899,466	13,933,666	16,110,133	(2,176,467)
Transportation	1,771,052	1,813,904	1,757,325	56,579
Economic opportunity and development	178,796	168,796	118,171	50,625
Culture and recreation	6,891,954	6,930,437	6,965,975	(35,538)
Home and community services	8,779,890	8,860,399	8,563,787	296,612
Employee benefits	15,257,729	15,225,167	15,314,376	(89,209)
Total Expenditures	59,324,989	59,324,989	59,913,861	(588,872)
Excess (Deficiency) of Revenues Over Expenditures	1,246,102	1,246,102	(383,821)	(1,629,923)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,703,028	1,703,028	1,750,028	47,000
Transfers out	(3,080,290)	(3,080,290)	(4,096,320)	(1,016,030)
Total Other Financing Uses	(1,377,262)	(1,377,262)	(2,346,292)	(969,030)
Net Change in Fund Balances	(131,160)	(131,160)	(2,730,113)	(2,598,953)
Fund Balances (Deficits) - Beginning of Year, as reported	131,160	131,160	3,848,453	3,717,293
Prior Period Adjustments	-	-	1,162,037	1,162,037
Fund Balances (Deficits) - Beginning of Year, as restated	131,160	131,160	5,010,490	4,879,330
Fund Balances (Deficits) - End of Year	\$ -	\$ -	\$ 2,280,377	\$ 2,280,377

The notes to financial statements are an integral part of this statement.

Water Fund				Sewer Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
4,199,385	4,199,385	4,228,034	28,649	4,408,030	4,408,030	3,932,181	(475,849)
-	-	-	-	500,000	500,000	467,361	(32,639)
-	-	-	-	40,000	40,000	24,696	(15,304)
2,500	2,500	3,250	750	1,500	1,500	4,500	3,000
-	-	-	-	-	-	-	-
3,600	3,600	12,400	8,800	-	-	-	-
-	-	-	-	-	-	-	-
-	-	36	36	-	-	-	-
4,205,485	4,205,485	4,243,720	38,235	4,949,530	4,949,530	4,428,738	(520,792)
207,757	244,162	494,560	(250,398)	155,300	176,300	277,406	(101,106)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,737,383	2,701,313	2,361,498	339,815	3,154,137	3,133,518	2,868,012	265,506
621,100	621,100	666,424	(45,324)	615,700	615,700	675,558	(59,858)
3,566,240	3,566,575	3,522,482	44,093	3,925,137	3,925,518	3,820,976	104,542
639,245	638,910	721,238	82,328	1,024,393	1,024,012	607,762	(416,250)
-	-	-	-	-	-	8,103	8,103
(671,727)	(671,727)	(911,635)	(239,908)	(1,042,526)	(1,042,526)	(1,110,753)	(68,227)
(671,727)	(671,727)	(911,635)	(239,908)	(1,042,526)	(1,042,526)	(1,102,650)	(60,124)
(32,482)	(32,817)	(190,397)	(157,580)	(18,133)	(18,514)	(494,888)	(476,374)
32,482	32,817	(73,421)	(106,238)	18,133	18,514	(472,268)	(490,782)
-	-	50,823	50,823	-	-	38,117	38,117
32,482	32,817	(22,598)	(55,415)	18,133	18,514	(434,151)	(452,665)
\$ -	\$ -	\$ (212,995)	\$ (212,995)	\$ -	\$ -	\$ (929,039)	\$ (929,039)

CITY OF LONG BEACH, NEW YORK

INTERNAL SERVICE FUND - WORKERS' COMPENSATION AND
GENERAL LIABILITY CLAIMS FUND
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Cash - Demand deposits	\$ 1,325,048
Due from Other Funds	<u>1,318,199</u>
Total Assets	<u>2,643,247</u>

LIABILITIES

Current Liabilities:	
Accounts payable	10,863
Due to other funds	1,068,286
Current portion of claims payable	<u>669,923</u>
Total Current Liabilities	1,749,072
Claims Payable, less current portion	<u>6,128,317</u>
Total Liabilities	<u>7,877,389</u>

DEFICIT

Unrestricted	<u>\$ (5,234,142)</u>
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The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

INTERNAL SERVICE FUND - WORKERS' COMPENSATION AND
GENERAL LIABILITY CLAIMS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2011

Operating Revenues - Charges for services	\$ 2,209,704
Operating Expenses:	
Administrative costs	142,775
Employee benefits	1,283,310
Judgments and claims	<u>3,022,257</u>
Total Operating Expenses	<u>4,448,342</u>
Loss from Operations	(2,238,638)
Nonoperating Revenues - Interest income	<u>7,453</u>
Change in Net Assets	<u>(2,231,185)</u>
Net Assets - Beginning of Year, as reported	1,440,989
Prior Period Adjustment	<u>(4,443,946)</u>
Net Deficit - Beginning of Year, as restated	<u>(3,002,957)</u>
Net Deficit - End of Year	<u>\$ (5,234,142)</u>

The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

INTERNAL SERVICE FUND - WORKERS' COMPENSATION AND
GENERAL LIABILITY CLAIMS FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities:

Cash received from charges for services	\$ 1,229,669
Cash payments to insurance carriers and claimants	<u>(2,084,294)</u>

Net Cash Used in Operating Activities	<u>(854,625)</u>
---------------------------------------	------------------

Cash Flows From Investing Activities -

Interest income	<u>7,453</u>
-----------------	--------------

Net Decrease in Cash	<u>(847,172)</u>
----------------------	------------------

Cash - Beginning of Year	<u>2,172,220</u>
--------------------------	------------------

Cash - End of Year	<u><u>\$ 1,325,048</u></u>
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Reconciliation of Loss from Operations

to Net Cash Used in Operating Activities:

Loss from operations	\$ (2,238,638)
----------------------	----------------

Adjustments to reconcile loss from operations

to net cash used in operating activities -

Changes in assets and liabilities:

Due from other funds	(967,290)
----------------------	-----------

Accounts payable	9,754
------------------	-------

Due to other funds	(12,745)
--------------------	----------

Claims payable	<u>2,354,294</u>
----------------	------------------

Net Cash Used in Operating Activities	<u><u>\$ (854,625)</u></u>
---------------------------------------	----------------------------

The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency	Pension Trust Fund
ASSETS		
Cash and Equivalents	\$ 777,259	\$ -
Investments, at fair value - Annuities	-	1,401,047
Accounts Receivable	217,471	-
Total Assets	994,730	1,401,047
LIABILITIES		
Accounts Payable	745,846	-
Deposits	202,832	-
Employee Payroll Deductions	46,052	-
Total Liabilities	994,730	-
NET ASSETS		
Held in Trust for Pension Benefits (A schedule of funding progress for the defined benefit plan is presented in the Required Supplementary Information)	\$ -	\$ 1,401,047

The notes to financial statements are an integral part of this statement.

CITY OF LONG BEACH, NEW YORK

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND - FIRE SERVICE AWARDS PROGRAM
YEAR ENDED JUNE 30, 2011

ADDITIONS

Earnings on investments	\$ 24,263
Pension contributions	90,000
Net change in fair value of investments	<u>25,775</u>
Total Additions	<u>140,038</u>

DEDUCTIONS

Pension benefits	66,448
Administrative costs	<u>2,241</u>
Total Deductions	<u>68,689</u>
Change in Net Assets	<u>71,349</u>

Net Assets Held in Trust for Pension	
Benefits - Beginning of Year, as reported	-
Prior Period Adjustment	<u>1,329,698</u>
Net Assets Held in Trust for Pension	
Benefits - Beginning of Year, as restated	<u>1,329,698</u>
Net Assets Held in Trust for	
Pension Benefits - End of Year	<u>\$ 1,401,047</u>

The notes to financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The City of Long Beach, New York ("City") was incorporated in 1922 and operates in accordance with its Charter and the various other applicable laws of the State of New York. The City functions under a City Manager/City Council form of government. The City Council is the legislative body responsible for overall operations. The City Manager serves as the chief executive officer and the Comptroller serves as the chief financial officer. The City provides the following services to its residents: public safety, education, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government which is the City, b) organizations for which the City is financially accountable and c) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The following organization is related to the City -

The Long Beach Housing Authority ("Authority") is a public benefit corporation created by State legislation to promote the development of adequate housing for citizens of the City.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Assets presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Internal Service Fund are charges to other funds. Operating expenses for the Internal Service Fund include administrative expenses, judgments and claims and employee benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The City maintains internal service and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The City's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

Water Fund - The Water Fund is used to record the water utility operations of the City which render services primarily on a user charge basis to the general public.

Note 1 - Summary of Significant Accounting Policies (Continued)

Sewer Fund - The Sewer Fund was established pursuant to General Municipal Law of the State of New York and is used to account for sewer operations financed by sewer rents.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The City also reports the following non-major governmental fund.

Special Revenue Fund -

Community Development Fund - The Community Development Fund is used to record the operations of the Federal grant programs operated by the City's Community Development Agency.

- b. Proprietary Funds - Proprietary funds consist of an Internal Service Fund. Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The City has established its Workers' Compensation and General Liability Claims Fund as an internal service fund.
- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the City in an agency capacity on behalf of others. These include Agency and Pension Trust funds. The Agency fund is primarily utilized to account for deposits and employee payroll tax withholdings that are payable to other jurisdictions or individuals. The Pension Trust Fund is provided to account for the City's Fire Service Awards Program.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Pension Trust and Internal Service funds. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues

Note 1 - Summary of Significant Accounting Policies (Continued)

in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain pension costs, claims and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities and Net Assets or Fund Balances

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The City's deposits and investment policies are governed by State statutes. The City has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the City's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The City has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial

Note 1 - Summary of Significant Accounting Policies (Continued)

institution or collateralized by securities held by the pledging financial institution's trust department but not in the City's name. The City's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2011.

Investments - The City participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool established pursuant to General Municipal Law that meets the definition of a 2a7-like pool. In accordance with the provisions of General Municipal Law, Article 3A, CLASS has designated Cutwater Asset Management, a wholly owned subsidiary of MBIA, Inc. as its registered investment advisor. MBIA, Inc. is registered with the Securities and Exchange Commission ("SEC"), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies. The amount reported represents the amortized cost of the cooperative shares and is considered to approximate fair value. The City's position in the pool is equal to the value of the pool shares. Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from MBIA Municipal Investors Service Corporation, 113 King Street, Armonk, NY 10504.

CLASS is rated AAAm by Standard and Poor's Ratings. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

Investments of the Pension Trust Fund are stated at fair value. The amounts are invested in various portfolios by the trustee of the Fund, who has been designated by the State Comptroller. These investments are unrated. The City has no formal policy relating to interest rate or credit risk for Pension Trust Fund investments.

The City was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property and are levied on July 1st. The City collects City and County taxes. The City collects City taxes in two installments, beginning July 1st with the first half payable without penalty until July 31st and the second half payable without penalty until January 31st. County taxes are due January 1st with the first half payable without penalty until February 10th and the second half payable without penalty until August 10th. The City collects County taxes and remits the amounts as collected to the County on a monthly basis. On or about September 1st, the City returns the uncollected items to the County, which assumes collection responsibility. The City is not responsible for the collection of School District taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Note 1 - Summary of Significant Accounting Policies (Continued)

Due From/To Other Funds - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances From/To Other Funds - Advances from/to other funds represent loans to other funds, which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the fund financial statements, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Deferred Charges - Deferred charges in the government-wide financial statements represent the unamortized portion of the cost of issuance of bonds. These costs are being amortized over the term of the respective bond issues.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and used an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant, equipment and infrastructure of the City are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and improvements	20-50
Machinery and equipment	5-20
Infrastructure	10-50

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

Note 1 - Summary of Significant Accounting Policies (Continued)

Unearned/Deferred Revenues - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenues received in advance and/or grants received before the eligibility requirements have been met.

Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported deferred revenues of \$247,573 in the General Fund for various recreational program fees received in advance. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects or Debt Service funds expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation, sick and terminal leave upon separation from service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Assets as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for capital projects, community development purposes and debt service. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General, Water and Sewer funds. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 11, 2012.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The City generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) On or before April 10th, the City Manager submits to the City Council a tentative operating budget for the fiscal year commencing the following July 1st. The tentative budget includes proposed expenditures and the means of financing.
- b) A copy of the submitted budget is filed in the City Clerk's office no later than ten (10) days after the date of submission of the budget to the City Council by the City Manager and is available for inspection by the public.
- c) The City Council conducts public hearings on the tentative budget to obtain taxpayer comments.
- d) After the public hearings and by no later than May 31st, the City Council meets to consider and adopt the budget.
- e) Formal budgetary integration is employed during the year as a management control device for the General, Water, Sewer and Debt Service funds.
- f) The budgets for the General, Water, Sewer and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The City does not adopt a budget for the Community Development Fund.
- g) The City Council has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the City Council for amounts exceeding \$1,500. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the City Council.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 2 - Stewardship, Compliance and Accountability (Continued)

- h) Appropriations in General, Water, Sewer and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

B. Property Tax Limitation

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the City, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. In accordance with this definition, the maximum amount of the tax levy for the 2010-2011 fiscal year was \$66,922,464, which exceeded the actual levy by \$38,490,464.

C. Application of Accounting Standards

For the year ended June 30, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB Statement No. 54"). GASB Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriations. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

D. Fund Deficits

The following funds reflect deficits as of June 30, 2011:

<u>Fund</u>	<u>Amount</u>
Water	\$ 212,995
Sewer	929,039
Internal Service	5,234,142

The City plans to address these deficits in the ensuing years.

E. Excess of Actual Expenditures Over Budget

The following functional categories of expenditures exceeded their budgetary authorization by the amounts indicated below:

General Fund:	
General Government Support:	
Traffic violations bureau	\$ 620
Credit card fees	4,289
Corporation Counsel	39,293
Civil Service	73,962
Buildings	14,072
Central administration services	7,959
Termination payments	282,213

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2011

Note 2 - Stewardship, Compliance and Accountability (Continued)

Education -	
Community college chargeback	\$ 133,557
Public Safety:	
Police Department	1,105,378
Termination payments	323,405
Fire Department	754,662
Culture and Recreation:	
Recreation	196,286
Lifeguards	147,002
MLK childcare center	25,149
Home and Community Services:	
Street maintenance	40,850
Beach parks and center	56,875
Shade trees	83
Employee Benefits:	
State retirement	159,823
Police and fire retirement	141,779
Transfers Out:	
Sewer Fund	8,103
Debt Service Fund	1,007,927
Water Fund:	
General government support	250,398
Employee benefits	45,324
Transfers out	239,908
Sewer Fund:	
General government support	101,106
Employee benefits	59,858
Transfers out	68,227
Debt Service Fund:	
Principal:	
Serial bonds	500,000
Installment purchase debt	373,737
Interest -	
Installment purchase debt	95,755

In addition, total expenditures and other financing uses exceeded the budgetary authorization by \$1,604,902 in the General Fund, \$195,815 in the Water Fund and \$2,392,064 in the Debt Service Fund.

Note 2 - Stewardship, Compliance and Accountability (Continued)**F. Prior Period Adjustments**

In prior years, the City opted to amortize, over a ten year period, portions of its annual contributions due in 2005 and 2006 to the New York State Employees' Retirement System and the New York State Police and Fire Retirement System. Due to the long-term nature of these obligations, these amounts should not have been reflected as current liabilities in the governmental funds and the Statement of Net Assets. Accordingly, a prior period adjustment has been recorded in the General, Water and Sewer funds aggregating \$1,250,977 to reflect the effects of this change. These obligations were also reclassified from short-term to long-term liabilities in the Statement of Net Assets.

The City receives payments in advance for summer related recreational activities and reflects these amounts as deferred revenues in the fund financial statements in the General Fund. These amounts should also be reflected as unearned revenues in the Statement of Net Assets. However, in prior years, these amounts were reflected as revenues in the government-wide financial statements. Accordingly, a prior period adjustment of \$307,981 has been recorded in the government-wide Statement of Activities the effect of this change.

In the current fiscal year, it was determined that the amount reflected as a liability for other post employment benefit obligations on the government-wide statement of net assets was overstated. Accordingly, a prior period adjustment of \$904,826 has been recorded in the government-wide financial statements for the effect of this change.

	Net Assets	General Fund	Water Fund	Sewer Fund
Reversal of current liabilities for retirement systems obligations	\$ (1,250,977)	\$ 1,162,037	\$ 50,823	\$ 38,117
Record long-term retirement systems obligations	1,250,977	-	-	-
Unearned/deferred revenues	(307,981)	-	-	-
Correct other post-employment benefit obligations liability	904,826	-	-	-
	<u>\$ 596,845</u>	<u>\$ 1,162,037</u>	<u>\$ 50,823</u>	<u>\$ 38,117</u>

In addition, the City in a prior year had established a Fire Service Awards Program for volunteer firefighters. The activities of this program were not reflected as a pension trust fund in the prior year's financial statements. Accordingly, a prior period adjustment of \$1,329,698 was recorded in the Pension Trust Fund to reflect the effect of this change.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds**A. Due From/To Other Funds**

The balances reflected as due from/to other funds at June 30, 2011 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 3,829,829	\$ 2,553,951
Water	608,140	1,598,468
Sewer	660,200	1,310,664
Debt Service	2,260,860	1,863,209
Capital Projects	44,174	194,218
Non-Major Governmental	189,815	322,421
Internal Service	1,318,199	1,068,286
	<u>\$ 8,911,217</u>	<u>\$ 8,911,217</u>

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the City's capital assets are as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital Assets, not being depreciated:				
Land	\$ 4,135,210	\$ -	\$ -	\$ 4,135,210
Construction-in-progress	10,034,945	4,234,386	950,486	13,318,845
Total Capital Assets, not being depreciated	<u>\$ 14,170,155</u>	<u>\$ 4,234,386</u>	<u>\$ 950,486</u>	<u>\$ 17,454,055</u>
Capital Assets, being depreciated:				
Buildings and improvements	\$ 16,019,322	\$ -	\$ -	\$ 16,019,322
Machinery and equipment	23,427,669	1,336,845	-	24,764,514
Infrastructure	116,301,452	609,924	-	116,911,376
Total Capital Assets, being depreciated	<u>155,748,443</u>	<u>1,946,769</u>	<u>-</u>	<u>157,695,212</u>
Less Accumulated Depreciation for:				
Buildings and improvements	10,236,023	381,155	-	10,617,178
Machinery and equipment	15,171,136	2,959,652	-	18,130,788
Infrastructure	58,667,403	3,746,879	-	62,414,282
Total Accumulated Depreciation	<u>84,074,562</u>	<u>7,087,686</u>	<u>-</u>	<u>91,162,248</u>
Total Capital Assets, being depreciated, net	<u>\$ 71,673,881</u>	<u>\$ (5,140,917)</u>	<u>\$ -</u>	<u>\$ 66,532,964</u>
Capital Assets, net	<u>\$ 85,844,036</u>	<u>\$ (906,531)</u>	<u>\$ 950,486</u>	<u>\$ 83,987,019</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to the City's functions and programs as follows:

Governmental Activities:	
General Government Support	\$ 1,253,982
Public Safety	2,335,411
Transportation	845,185
Economic Opportunity and Development	14,805
Culture and Recreation	932,714
Home and Community Services	<u>1,705,589</u>
Total Depreciation Expense	<u>\$ 7,087,686</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2011 were as follows:

	Fund				Total Governmental
	General	Water	Sewer	Non-Major Governmental	
Payroll and Employee Benefits	<u>\$ 1,715,023</u>	<u>\$ 285,942</u>	<u>\$ 141,494</u>	<u>\$ 6,786</u>	<u>\$ 2,149,245</u>

D. Pension Plans

The City participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plans' year ending in 2011 are as follows:

	Tier/Plan	Rate
ERS	1 75I	15.2 %
	2 75I	13.9
	3 A14	11.2
	4 A15	11.2
	5 A15	9.0

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

	<u>Tier/Plan</u>	<u>Rate</u>
PFRS	2 375I	12.5 %
	2 384D	16.8
	3 384D	16.5
	5 384D	13.7

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 2,083,844	\$ 2,352,530
2010	1,412,613	1,811,553
2009	1,364,360	1,714,960

The ERS and PFRS contributions were equal to 100% of the actuarially required contribution for each respective fiscal year.

The current PFRS contribution was charged to the General Fund. The current ERS contribution for the City was charged to the funds identified below.

<u>Fund</u>	<u>Amount</u>
General	\$ 1,740,973
Water	189,498
Sewer	153,373
	<u>\$ 2,083,844</u>

E. Pension Trust Fund**Fire Service Awards Program**

The City, pursuant to Article 11-A of General Municipal Law and legislative resolution, has established a Service Awards Program ("Program") for volunteer firefighters. This Program is a single employer defined benefit plan. Active volunteer firefighters, upon attainment of age 18 are eligible to become participants in the Program. Participants are fully vested upon attainment of entitlement age, upon death or upon general disablement and after earning five years of service credit. A participant, upon attainment of entitlement age shall be able to receive their service award, payable in the form of a life annuity. The monthly benefits are \$20 for each year of service credit, up to a maximum of 20 years. The benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. The Program also provides disability and death benefits. The trustees of the Program, which are the members of the City Council, are authorized to invest the funds in authorized investment vehicles. Administrative costs are paid by the City. Separate financial statements are not issued by the Program.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Current membership in the Program is comprised of the following at December 31, 2010:

<u>Group</u>	
Retirees and beneficiaries	
currently receiving benefits	3
Terminated members entitled to	
but not yet receiving benefits	6
Active - non-vested	56
Active - vested	87

The City is required to contribute the amounts necessary as actuarially determined using the unit credit cost method. The amortization method is level dollar closed and the remaining amortization period is 10 years. The assumed investment rate of return is 6% and there are no cost of living adjustments.

The City's annual Program cost, the percentage of the annual Program cost contributed to the plan and the net pension obligation for the current and two preceding fiscal years were as follows:

	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of Annual Program Cost Contributed</u>	<u>Net Pension Obligation</u>	<u>Increase (Decrease) in Net Pension Obligation</u>
2011	\$ 53,003	\$ 90,000	169.80 %	\$ -	\$ -
2010	53,572	90,000	168.00	-	-
2009	81,486	90,000	110.45	-	-

Since the net pension obligation is not separately amortized, the annual required contribution is equal to the annual pension cost.

The following is an audited summary of the financial information for the Fire Service Awards Program for the year ended December 31, 2010:

ASSETS

Investments, at fair value - Annuities \$ 1,401,047

NET ASSETS

Held in Trust for Pension Benefits \$ 1,401,047

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)****ADDITIONS**

Earnings on investments	\$ 24,263
Pension contributions	90,000
Net change in fair value of investments	<u>25,775</u>
Total Additions	<u>140,038</u>

DEDUCTIONS

Administrative fees	2,241
Pension benefits	<u>66,448</u>
Total Deductions	<u>68,689</u>
Change in Net Assets	<u>71,349</u>

Net Assets Held in Trust for Pension

Benefits - Beginning of Year, as Reported -

Prior Period Adjustment 1,329,698

Net Assets Held in Trust for Pension

Benefits - Beginning of Year, as Restated 1,329,698

Net Assets Held in Trust for

Pension Benefits - End of Year \$ 1,401,047**F. Long-Term Liabilities**

The changes in the City's long-term indebtedness during the year ended June 30, 2011 are summarized as follows:

	Balance July 1, 2010 as reported	Prior Period Adjustments	Balance July 1, 2010 as restated	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2011	Due Within One Year
Bonds Payable	\$ 52,453,000	\$ -	\$ 52,453,000	\$ -	\$ 4,130,000	\$ 48,323,000	\$ 3,938,000
Less: Deferred Amounts on Refunding	<u>(404,219)</u>	<u>-</u>	<u>(404,219)</u>	<u>-</u>	<u>80,845</u>	<u>(323,374)</u>	<u>-</u>
	<u>52,048,781</u>	<u>-</u>	<u>52,048,781</u>	<u>-</u>	<u>4,210,845</u>	<u>47,999,626</u>	<u>3,938,000</u>
Installment Purchase Debt	<u>2,157,785</u>	<u>-</u>	<u>2,157,785</u>	<u>323,784</u>	<u>397,491</u>	<u>2,084,078</u>	<u>447,806</u>
Other Non-current Liabilities:							
Retirement Incentives and Other Pension Obligations	-	1,250,977	1,250,977	843,190	315,622	1,778,545	394,944
Compensated Absences	20,740,941	-	20,740,941	4,598,262	2,074,094	23,265,109	2,300,000
Claims Payable	4,443,946	-	4,443,946	5,333,384	2,536,569	7,240,761	1,112,444
Other Post Employment Benefit Obligations	<u>8,564,015</u>	<u>(904,826)</u>	<u>7,659,189</u>	<u>6,820,995</u>	<u>2,415,764</u>	<u>12,064,420</u>	<u>-</u>
Total Other Non- Current Liabilities	<u>33,748,902</u>	<u>346,151</u>	<u>34,095,053</u>	<u>17,595,831</u>	<u>7,342,049</u>	<u>44,348,835</u>	<u>3,807,388</u>
Total Long-Term Liabilities	<u>\$ 87,955,468</u>	<u>\$ 346,151</u>	<u>\$ 88,301,619</u>	<u>\$ 17,919,615</u>	<u>\$ 11,950,385</u>	<u>\$ 94,432,539</u>	<u>\$ 8,193,194</u>

Each governmental funds' liability for bonds and installment purchase debt is satisfied by the Debt Service Fund, which is funded by the General, Water and Sewer funds. The liability for

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

retirement incentives and other pension obligations, compensated absences, claims and other post employment benefit obligations is liquidated by the respective fund.

Bonds Payable

Bonds payable at June 30, 2011 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rate	Amount Outstanding at June 30, 2011
EFC - Water Pollution Control	1991	\$ 2,261,000	August, 2020	4.270-5.220 %	\$ 1,453,000
Public Improvements	1992	6,250,000	September, 2012	6.200	50,000
Refunding	1993	4,990,000	December, 2013	5.300	405,000
Public Improvements Series A	1999	2,654,000	April, 2019	4.700-4.750	1,205,000
Public Improvements Series B	1999	3,135,523	December, 2017	4.700	1,545,000
Public Improvements	2004	9,300,000	December, 2024	4.000-4.125	7,455,000
Refunding	2005	22,585,000	July, 2020	2.750-5.000	12,085,000
Public Improvements	2007	5,575,000	April, 2022	4.000	4,640,000
Public Improvements	2008	4,650,000	February, 2020	3.250-3.500	3,940,000
Public Improvements	2010	16,045,000	January, 2030	3.500-4.000	15,545,000
					<u>\$ 48,323,000</u>

Interest expenditures of \$1,743,942 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$2,100,438 was recorded in the government-wide financial statements.

Installment Purchase Debt

The City entered into various lease agreements to finance equipment over a period of 60 to 120 months with various interest rates. The balance due at June 30, 2011 was \$2,084,078. Interest expenses/expenditures of \$99,498 were recorded in the fund financial statements in the Debt Service Fund and district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all bonded and installment purchase debt outstanding as of June 30, 2011, including interest payments of \$14,198,892, are as follows:

Year Ended June 30,	Bonds Payable		Installment Purchase Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 3,938,000	\$ 1,852,075	\$ 447,806	\$ 96,205	\$ 4,385,806	\$ 1,948,280
2013	4,013,000	1,690,933	469,689	74,322	4,482,689	1,765,255
2014	3,858,000	1,535,337	287,668	53,892	4,145,668	1,589,229
2015	3,949,000	1,388,271	163,762	43,765	4,112,762	1,432,036
2016	4,020,000	1,241,591	162,351	35,834	4,182,351	1,277,425
2017-2021	16,605,000	4,019,365	552,802	73,221	17,157,802	4,092,586
2022-2026	7,635,000	1,655,281	-	-	7,635,000	1,655,281
2027-2030	4,305,000	438,800	-	-	4,305,000	438,800
	<u>\$ 48,323,000</u>	<u>\$ 13,821,653</u>	<u>\$ 2,084,078</u>	<u>\$ 377,239</u>	<u>\$ 50,407,078</u>	<u>\$ 14,198,892</u>

Note 3 - Detailed Notes on All Funds (Continued)

The above general obligation bonds and installment purchase debt are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

Retirement Incentives and Other Pension Obligations

The State Legislature enacted Chapter 260 of the Laws of 2004. This chapter authorized local governments to amortize the portion of their respective 2005 pension contribution which exceeded 9.5% of covered payroll, over a ten year period, commencing in 2006. The amortization payment would include interest at 5% per annum. The City elected to amortize the maximum allowable ERS and PFRS contributions which aggregated \$550,784 for ERS and \$806,505 for PFRS. The ERS and PFRS amounts required to be amortized during 2011 were \$71,306 and \$104,415, respectively, including interest and were charged to expenditures in the General Fund. The balance due at June 30, 2011 was \$252,853 for ERS and \$370,249 for PFRS.

Chapter 260 of the Laws of 2004 further authorized local governments to amortize the portion of their respective 2006 pension contribution which exceeded 10.5% of covered payroll, over a ten year period, commencing in 2007. The amortization payment would include interest at 5% per annum. The City elected to amortize the maximum allowable ERS and PFRS contributions which aggregated \$86,153 for ERS and \$470,760 for PFRS. The ERS and PFRS amounts required to be amortized during 2011 were \$11,157 and \$60,966, respectively, including interest and were charged to expenditures in the General Fund. The balance due at June 30, 2011 was \$48,305 for ERS and \$263,948 for PFRS.

In the current fiscal year, the City opted into Part A of the 2010 Retirement Incentive Program offered by ERS. This program provides eligible employees one month of additional service credit for each year of service up to 36 years. Participating employers were not required to eliminate vacated positions provided they could demonstrate, over a two year period, savings of at least one-half of the base salary of the retiring employee. The estimated cost of the program will be approximately 60% of the employee's final average salary. The balance due at June 30, 2011 was \$843,190.

Compensated Absences

In accordance with the existing collective bargaining agreements, the City is required to compensate employees for accumulated sick leave. Sick leave earned by CSEA employees may be accumulated up to 250 days. Upon separation from service, those CSEA employees with ten years or more of service are entitled to compensation for 100% of these unused sick days while those with less than ten years of service are entitled to compensation for 75% of these unused sick days. The compensation is calculated based on the employees' final ten year average daily rate of pay. Sick leave earned by PBA employees is unlimited. Upon separation from service, PBA employees are entitled to payment for one-half of the accumulated sick days up to a maximum of 265 days at the current rate of pay. PBA employees are also entitled to termination pay upon retirement. Eligible employees receive five days pay for each year of service up to a maximum of one-hundred days. Vacation time is generally taken in the year earned, however, with approval, certain employees may carryover vacation leave to the following year. The value of the compensated absences has been reflected in the government-wide financial statements.

Note 3 - Detailed Notes on All Funds (Continued)**Claims Payable**

The government-wide financial statement reflects workers' compensation and general liability benefit liabilities, which are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of unpaid claim liabilities is as follows:

	Year Ended June 30, 2011	
	General Liability	Workers' Compensation
Unpaid Claims - Beginning of Year	\$ 1,887,725	\$ 2,556,221
Incurring Claims including IBNR's	1,149,911	3,298,431
Claims Paid	(611,758)	(1,482,290)
Unpaid Claims - End of Year	\$ 2,425,878	\$ 4,372,362
Current Portion	\$ 243,000	\$ 426,923

Claims payable also includes a liability of \$442,521 for court ordered tax certiorari refunds, which were not due and payable at year end. These amounts have been recorded in the government-wide financial statements.

Other Post Employment Benefit Obligations Payable

In addition to providing pension benefits, the City provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the City may vary according to length of service. Substantially all of the City's employee's may become eligible for those benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The City is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in post-retirement benefits are as follows:

Year Ended June 30,	Medical
2012	10.00 %
2013	9.00
2014	8.00
2015	7.00
2016	6.00
2017+	5.00

The amortization basis is the level dollar amount with a closed amortization approach with 27 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return. The City currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of June 30, 2011 was as follows:

Active Employees	235
Retired Employees	147
	<u>382</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2010	\$ 78,622,609
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 78,622,609</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 27,365,670</u>
UAAL as a Percentage of Covered Payroll	<u>287.30%</u>
Annual Required Contribution	\$ 6,956,599
Interest on Net OPEB Obligation	306,368
Adjustment to Annual Required Contribution	<u>(441,972)</u>
Annual OPEB Cost	6,820,995
Contributions Made	<u>(2,415,764)</u>
Increase in Net OPEB Obligation	<u>4,405,231</u>
Net OPEB Obligation - Beginning of Year, as reported	8,564,015
Prior Period Adjustment	<u>(904,826)</u>
Net OPEB Obligation - Beginning of Year, as restated	<u>7,659,189</u>
Net OPEB Obligation - End of Year	<u>\$ 12,064,420</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years are as follows.

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 6,820,995	35.4 %	\$ 12,064,420
2010	6,174,735	30.4	7,659,189
2009	6,056,459	34.7	3,958,783

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)****G. Revenues and Expenditures****Interfund Transfers**

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers reflected below have been reflected as transfers:

Transfers Out	General Fund	Transfers In		Total
		Sewer Fund	Debt Service Fund	
General Fund	\$ -	\$ 8,103	\$ 4,088,217	\$ 4,096,320
Water Fund	-	-	911,635	911,635
Sewer Fund	-	-	1,110,753	1,110,753
Debt Service Fund	1,703,028	-	-	1,703,028
Capital Projects Fund	47,000	-	-	47,000
Non-Major Governmental Fund	-	-	260,325	260,325
	<u>\$ 1,750,028</u>	<u>\$ 8,103</u>	<u>\$ 6,370,930</u>	<u>\$ 8,129,061</u>

Transfers are used to 1) move revenues from the funds with collection authorization to the Debt Service Fund as debt service principal and interest payments become due and 2) move amounts earmarked in the Debt Service Fund to offset debt service obligations in the General Fund.

H. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net assets that reports the amounts restricted for capital projects, less unexpended bonds proceeds and unrestricted interest earnings.

Restricted for Community Development Purposes - the component of net assets that reports the difference between assets and liabilities in the Community Development Fund.

Restricted for Debt Service - the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)**I. Fund Balances**

	2011					
	General Fund	Water Fund	Sewer Fund	Debt Service	Capital Fund	Non-Major Governmental Funds
						Total
Nonspendable - Advances	\$ 1,156,466	\$ -	\$ -	\$ -	\$ -	\$ -
						1,156,466
Restricted:						
Capital projects	-	-	-	-	3,599,801	-
Debt service	-	-	-	1,085,758	-	-
Community development	-	-	-	-	-	2,210
						2,210
				1,085,758	3,599,801	2,210
						4,687,769
Assigned:						
Purchases on order:						
General government support	84,055	-	-	-	-	-
Home and community services	-	3,309	11,123	-	-	-
						84,055
						14,432
	84,055	3,309	11,123	-	-	-
						98,487
Designated for subsequent year's expenditures	932,729	-	-	-	-	-
						932,729
	1,016,784	3,309	11,123	-	-	-
						1,031,216
Unassigned	107,127	(216,304)	(940,162)	-	-	-
						(1,049,339)
Total Fund Balances	\$ 2,280,377	\$ (212,995)	\$ (929,039)	\$ 1,085,758	\$ 3,599,801	\$ 2,210
						\$ 5,826,112

Certain elements of fund balance are described above. Those additional elements which are not reflected in the statement of net assets but are reported in the governmental funds balance sheet are described below.

Advances in the General Fund have been classified as nonspendable to indicate the long-term nature of funds advanced to the Water and Sewer Funds. These funds do not represent "available spendable resources" even though they are a component of current assets.

Purchases on order are assigned and represent the City's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Designations of fund balance are not legally required segregations but represent intended use for a specific purpose. At June 30, 2011, the City has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General, Water, and Sewer funds represent amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies**A. Litigation**

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury. Of the claims currently pending, none are expected to have a material effect on the financial position of the City, if adversely settled.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the City, if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

B. Risk Management

The City is currently insured for general liability and workers' compensation claims. The City purchases conventional property and casualty insurance to reduce its exposure to loss from damage or fire to City owned properties. Settled claims resulting from those risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City purchases conventional health insurance coverage for most full-time City employees and retirees.

Note 5 - Other Matters

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including the City.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a City in a particular year, beginning with the 2012-2013 fiscal year. It expires on June 16, 2016.

Pursuant to the Tax Levy Limitation Law, the tax levy of a City cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A City could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote of the City Council, after holding public hearings. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

Note 6 - Subsequent Events

The City, on December 15, 2011, issued a \$1,750,000 note in anticipation of 2011-12 real property tax collections. The note matures on August 16, 2012 and bears interest at .63%.

The City, on December 15, 2011, issued a budget note in the amount of \$1,500,000. The note matures on December 13, 2012 and bears interest at .77%. The note was issued to finance termination payments due employees.

CITY OF LONG BEACH, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS
 LAST THREE FISCAL YEARS

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2010	\$ -	\$ 78,622,609	\$ 78,622,609	- %	\$ 27,365,670	287.30 %
July 1, 2009	-	68,550,284	68,550,284	-	30,900,000	221.85
July 1, 2008	-	68,069,531	68,069,531	-	30,000,000	226.90

CITY OF LONG BEACH, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
PENSION TRUST FUND - FIRE SERVICE AWARDS PROGRAM
LAST SIX FISCAL YEARS

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
2008	\$ 1,119,296	\$ 1,199,476	\$ 80,180	93.32 %
2009	1,166,648	1,229,324	62,676	94.90
2010	1,211,930	1,242,076	30,146	97.57

Note: Data prior to 2008 is not available

CITY OF LONG BEACH, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
PENSION TRUST FUND - FIRE SERVICE AWARDS PROGRAM
LAST SIX FISCAL YEARS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2008	\$ 81,486	\$ 90,000	110.45 %
2009	53,572	90,000	168.00
2010	55,104	90,000	163.33

Note: Data prior to 2008 is not available

CITY OF LONG BEACH, NEW YORK

GENERAL FUND
BALANCE SHEET
JUNE 30, 2011ASSETS

Cash:

Demand deposits	\$ 2,365,709
Petty cash	<u>1,963</u>
	<u>2,367,672</u>

Other Receivables:

Accounts	470,349
State and Federal aid	616,338
Due from other governments	867,634
Due from other funds	3,829,829
Advances to other funds	<u>1,156,466</u>
	<u>6,940,616</u>

Total Assets	<u>\$ 9,308,288</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 1,069,519
Accrued liabilities	1,715,023
Due to retirement systems	1,281,811
Due to other governments	81,526
Overpayments	78,508
Due to other funds	2,553,951
Deferred revenues	<u>247,573</u>
Total Liabilities	<u>7,027,911</u>

Fund Balance:

Nonspendable	1,156,466
Assigned	1,016,784
Unassigned	<u>107,127</u>
Total Fund Balance	<u>2,280,377</u>
Total Liabilities and Fund Balance	<u>\$ 9,308,288</u>

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CITY OF LONG BEACH, NEW YORK

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Real property taxes	\$ 28,703,801	\$ 28,703,801	\$ 28,455,745	\$ (248,056)
Other tax items	366,909	366,909	538,680	171,771
Non-property taxes	5,316,000	5,316,000	4,842,213	(473,787)
Departmental income	16,503,170	16,503,170	16,973,120	469,950
Intergovernmental charges	720,401	720,401	745,290	24,889
Use of money and property	633,000	633,000	427,211	(205,789)
Licenses and permits	581,700	581,700	686,036	104,336
Fines and forfeitures	903,000	903,000	927,230	24,230
Sale of property and compensation for loss	189,000	189,000	380,236	191,236
State aid	6,395,756	6,395,756	5,070,091	(1,325,665)
Federal aid	77,354	77,354	280,294	202,940
Miscellaneous	181,000	181,000	203,894	22,894
Total Revenues	60,571,091	60,571,091	59,530,040	(1,041,051)
Expenditures -				
Current:				
General government support	12,443,102	12,289,620	10,853,679	1,435,941
Education	103,000	103,000	230,415	(127,415)
Public safety	13,899,466	13,933,666	16,110,133	(2,176,467)
Transportation	1,771,052	1,813,904	1,757,325	56,579
Economic opportunity and development	178,796	168,796	118,171	50,625
Culture and recreation	6,891,954	6,930,437	6,965,975	(35,538)
Home and community services	8,779,890	8,860,399	8,563,787	296,612
Employee benefits	15,257,729	15,225,167	15,314,376	(89,209)
Total Expenditures	59,324,989	59,324,989	59,913,861	(588,872)
Excess (Deficiency) of Revenues Over Expenditures	1,246,102	1,246,102	(383,821)	(1,629,923)
Other Financing Sources (Uses):				
Transfers in	1,703,028	1,703,028	1,750,028	47,000
Transfers out	(3,080,290)	(3,080,290)	(4,096,320)	(1,016,030)
Total Other Financing Uses	(1,377,262)	(1,377,262)	(2,346,292)	(969,030)
Net Change in Fund Balance	(131,160)	(131,160)	(2,730,113)	(2,598,953)
Fund Balance - Beginning of Year, as reported	131,160	131,160	3,848,453	3,717,293
Prior Period Adjustment	-	-	1,162,037	1,162,037
Fund Balance - Beginning of Year, as restated	131,160	131,160	5,010,490	4,879,330
Fund Balance - End of Year	\$ -	\$ -	\$ 2,280,377	\$ 2,280,377

CITY OF LONG BEACH, NEW YORK

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 28,703,801	\$ 28,703,801	\$ 28,455,745	\$ (248,056)
OTHER TAX ITEMS				
Hospital bulkhead assessment	160,003	160,003	160,003	-
Interest and penalties on real property taxes	110,906	110,906	256,845	145,939
Payments in lieu of taxes	96,000	96,000	121,832	25,832
NON-PROPERTY TAXES	366,909	366,909	538,680	171,771
Non-property tax distribution from County	2,266,000	2,266,000	3,108,025	842,025
Utilities gross receipts taxes	2,400,000	2,400,000	931,713	(1,468,287)
Hotel occupancy tax	150,000	150,000	78,000	(72,000)
Special franchise fees	500,000	500,000	724,475	224,475
	5,316,000	5,316,000	4,842,213	(473,787)
DEPARTMENTAL INCOME				
Subpoena fees	100	100	181	81
Tax collector fees	1,100	1,100	572	(528)
Tax advertising fees	4,250	4,250	7,850	3,600
Civil services charges	80,000	80,000	117,892	37,892
Clerk fees	62,000	62,000	68,214	6,214
Emergency tenant protection act fees	11,000	11,000	8,400	(2,600)
Police fees	90,000	90,000	57,267	(32,733)
Automatic alarm fees	6,000	6,000	3,450	(2,550)
Fire alarm fees	110,000	110,000	111,833	1,833
Clean lots and secure buildings	20,000	20,000	2,208	(17,792)
Sidewalk and curb charges	9,000	9,000	1,121	(7,879)
Recreation fees	788,520	788,520	743,815	(44,705)
Ambulance charges	665,000	665,000	753,216	88,216
Data processing fees	800	800	800	-
Parking lot fees	110,000	110,000	99,720	(10,280)

Parking meter fees	16,000	16,000	18,185	2,185
Gate access fees	24,000	24,000	44,500	20,500
Bus fares passenger fees	405,000	405,000	439,487	34,487
Beach charges	2,861,300	2,861,300	3,517,477	656,177
Long Beach arena fees	473,000	473,000	657,890	184,890
Youth services	1,731,850	1,731,850	1,732,373	523
Community center activities	7,700	7,700	10,336	2,636
Zoning and Planning Board fees	15,825	15,825	17,727	1,902
Memorial Gardens fees	2,500	2,500	2,399	(101)
Admissions fees	250,000	250,000	290,393	40,393
Resource conservation fees	3,000	3,000	7,951	4,951
Transportation advertising	70,000	70,000	55,236	(14,764)
Banner advertising	15,000	15,000	12,070	(2,930)
Surf and water safety fees	5,000	5,000	2,500	(2,500)
Handicapped parking education	3,000	3,000	3,225	225
Vending machine	5,100	5,100	7,322	2,222
Refuse and garbage charges	7,702,125	7,702,125	7,700,697	(1,428)
Commercial sanitation fees	955,000	955,000	476,813	(478,187)
	16,503,170	16,503,170	16,973,120	469,950

INTERGOVERNMENTAL CHARGES

Fire protection services	232,000	232,000	184,000	(48,000)
Fire dispatching services	15,801	15,801	22,750	6,949
Public safety - Hospital	-	-	12,264	12,264
Health services - Housing Authority	305,000	305,000	350,131	45,131
Transit services - Nassau County	75,000	75,000	75,000	-
Atlantic beach fuel charges	4,000	4,000	7,491	3,491
Gasoline - Housing Authority	3,600	3,600	6,497	2,897
Telephone charges - City Court	20,000	20,000	22,157	2,157
Inspections - Housing Authority	65,000	65,000	65,000	-
	720,401	720,401	745,290	24,889

USE OF MONEY AND PROPERTY

Earnings on investments	165,000	165,000	42,247	(122,753)
Rental of real property	462,000	462,000	373,691	(88,309)
Interest and penalties	6,000	6,000	11,273	5,273
	633,000	633,000	427,211	(205,789)

(Continued)

CITY OF LONG BEACH, NEW YORK

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES COMPARED TO BUDGET (Continued)
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LICENSES AND PERMITS				
Building and occupation fees	\$ 225,000	\$ 225,000	\$ 247,462	\$ 22,462
Building and alterations permits	200,000	200,000	267,115	67,115
Street opening permits	75,000	75,000	33,550	(41,450)
Marriage licenses	3,700	3,700	3,217	(483)
Dog licenses	1,000	1,000	4,761	3,761
Plumbing permits	45,000	45,000	54,906	9,906
Other permits	32,000	32,000	75,025	43,025
	581,700	581,700	686,036	104,336
FINES AND FORFEITURES				
Parking violations	600,000	600,000	567,078	(32,922)
Fines and forfeitures	3,000	3,000	5,004	2,004
Court fees	300,000	300,000	348,970	48,970
Seized and unclaimed property	-	-	6,178	6,178
	903,000	903,000	927,230	24,230
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of equipment	20,000	20,000	151,117	131,117
Minor sales	19,000	19,000	22,915	3,915
Insurance recoveries	120,000	120,000	196,198	76,198
Other compensation for loss	30,000	30,000	10,006	(19,994)
	189,000	189,000	380,236	191,236
STATE AID				
Per capita	3,404,144	3,404,144	3,217,045	(187,099)
Mortgage tax	2,250,000	2,250,000	814,709	(1,435,291)
Court facilities aid	60,000	60,000	123,743	63,743
Public safety grants	16,500	16,500	30,725	14,225
Seat belt program	-	-	12,000	12,000

Bus operations	622,000	622,000	798,189	176,189
Mapping studies	-	-	4,209	4,209
Emergency management assistance	-	-	41,737	41,737
STEP grant	12,412	12,412	10,533	(1,879)
STAR program	300	300	-	(300)
Centennial celebration	5,000	5,000	-	(5,000)
Recreation for elderly	5,000	5,000	-	(5,000)
Out school program	12,800	12,800	9,775	(3,025)
Youth programs	7,600	7,600	5,390	(2,210)
Other	-	-	2,036	2,036
	<u>6,395,756</u>	<u>6,395,756</u>	<u>5,070,091</u>	<u>(1,325,665)</u>
FEDERAL AID				
Youth services - Town of Hempstead	62,354	62,354	-	(62,354)
Emergency management assistance	-	-	250,424	250,424
Mass transit	15,000	15,000	7,695	(7,305)
Transit preventative maintenance	-	-	22,175	22,175
	<u>77,354</u>	<u>77,354</u>	<u>280,294</u>	<u>202,940</u>
MISCELLANEOUS				
Refund of prior year's expenditures	3,000	3,000	8,657	5,657
Gifts and donations	83,000	83,000	63,973	(19,027)
Employee health insurance contributions	80,000	80,000	108,211	28,211
Other	15,000	15,000	23,053	8,053
	<u>181,000</u>	<u>181,000</u>	<u>203,894</u>	<u>22,894</u>
TOTAL REVENUES	<u>60,571,091</u>	<u>60,571,091</u>	<u>59,530,040</u>	<u>(1,041,051)</u>
OTHER FINANCING SOURCES				
Transfers in:				
Capital Projects Fund	-	-	47,000	47,000
Debt Service Fund	1,703,028	1,703,028	1,703,028	-
	<u>1,703,028</u>	<u>1,703,028</u>	<u>1,750,028</u>	<u>47,000</u>
TOTAL OTHER FINANCING SOURCES				
	<u>\$ 62,274,119</u>	<u>\$ 62,274,119</u>	<u>\$ 61,280,068</u>	<u>\$ (994,051)</u>

CITY OF LONG BEACH, NEW YORK

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT SUPPORT				
City Council	\$ 100,743	\$ 100,193	\$ 99,357	\$ 836
Traffic Violations Bureau	44,800	63,800	64,420	(620)
City Manager	422,469	400,992	357,443	43,549
City Comptroller	627,732	627,732	607,192	20,540
Tax Receiver	171,430	171,429	141,761	29,668
Purchasing	144,790	145,790	136,856	8,934
Tax Assessor	234,465	234,465	168,770	65,695
Discount on taxes	7,500	10,194	10,194	-
Credit card fees	20,000	20,000	24,289	(4,289)
Fiscal agent fees	10,000	20,450	20,450	-
City Clerk	208,999	211,179	185,915	25,264
Corporation Counsel	917,176	917,296	956,589	(39,293)
Civil Service	230,545	309,637	383,599	(73,962)
Buildings	310,062	310,062	324,134	(14,072)
Public Works	906,358	908,358	811,592	96,766
Municipal building	740,611	739,448	709,374	30,074
Central garage	1,568,478	1,798,430	1,755,573	42,857
Central administration services	377,665	379,165	387,124	(7,959)
Central data processing	439,550	440,714	343,278	97,436
Inventory and supplies	92,436	99,240	78,690	20,550
Unallocated insurance	825,000	773,250	465,745	307,505
Refunds of real property taxes	870,000	870,000	152,269	717,731
Metropolitan commuter transportation mobility tax	130,000	144,559	144,559	-
Termination payments	617,589	617,589	899,802	(282,213)
Contribution to Self Insurance Fund	1,624,704	1,624,704	1,624,704	-
Contingency	800,000	350,944	-	350,944
	12,443,102	12,289,620	10,853,679	1,435,941
EDUCATION				
Community college charge back	95,000	95,000	228,557	(133,557)
Other education - D.A.R.E	8,000	8,000	1,858	6,142
	103,000	103,000	230,415	(127,415)

PUBLIC SAFETY

Police Department	10,723,522	10,743,522	11,848,900	(1,105,378)
Termination payments	-	-	323,405	(323,405)
Traffic Patrol	126,000	132,000	132,000	-
Fire Department	3,003,747	3,013,596	3,768,258	(754,662)
Auxiliary Police	44,548	44,548	37,570	6,978

TRANSPORTATION

Street lighting	275,000	275,000	271,546	3,454
Bus transportation	1,484,752	1,527,604	1,483,181	44,423
Other transportation	11,300	11,300	2,598	8,702

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Publicity	178,796	168,796	118,171	50,625
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CULTURE AND RECREATION

Recreation	2,872,408	2,876,809	3,073,095	(196,286)
Lifeguards	1,321,260	1,321,260	1,468,262	(147,002)
Beach park	542,250	542,250	536,776	5,474
Youth and family services	1,035,324	1,039,781	812,090	227,691
MLK childcare center	561,708	576,410	601,559	(25,149)
Magnolia Community Center	301,725	306,648	261,685	44,963
Celebrations	188,279	198,279	168,133	30,146
Veterans memorial	5,000	5,000	5,000	-
Performing arts	46,000	46,000	36,038	9,962
Recreation program for the aging	18,000	18,000	3,337	14,663

HOME AND COMMUNITY SERVICES

Zoning Board of Appeals	6,891,954	6,930,437	6,965,975	(35,538)
Sanitation	70,712	70,712	67,592	3,120
Street maintenance	4,779,051	4,841,810	4,502,955	338,855
Beach parks and center	1,838,196	1,843,446	1,884,296	(40,850)
Shade trees	1,964,431	1,964,431	2,021,306	(56,875)
Conservation recycling	39,000	39,000	39,083	(83)
Emergency tenants' protection act	75,500	70,500	24,324	46,176
Other	9,000	9,000	6,490	2,510
	4,000	21,500	17,741	3,759
	8,779,890	8,860,399	8,563,787	296,612

(Continued)

CITY OF LONG BEACH, NEW YORK

GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET (Continued)
 YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EMPLOYEE BENEFITS				
State retirement	\$ 1,800,000	\$ 1,663,613	\$ 1,823,436	\$ (159,823)
Police and fire retirement	2,500,000	2,376,132	2,517,911	(141,779)
Fire service award program	90,000	90,000	90,000	-
Social security	2,400,000	2,400,000	2,322,940	77,060
Life insurance	140,000	140,000	97,958	42,042
Unemployment benefits	51,649	88,500	82,096	6,404
Disability	10,000	10,000	7,367	2,633
Medical insurance	7,858,500	8,040,613	8,028,840	11,773
Firefighter's supplemental benefit	209,229	216,309	216,309	-
Other	200,000	200,000	127,519	72,481
	<u>15,259,378</u>	<u>15,225,167</u>	<u>15,314,376</u>	<u>(89,209)</u>
TOTAL EXPENDITURES	59,324,989	59,324,989	59,913,861	(588,872)
OTHER FINANCING USES				
Transfers out:				
Sewer Fund	-	-	8,103	(8,103)
Debt Service Fund	3,080,290	3,080,290	4,088,217	(1,007,927)
	<u>3,080,290</u>	<u>3,080,290</u>	<u>4,096,320</u>	<u>(1,016,030)</u>
TOTAL OTHER FINANCING USES				
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 62,405,279	\$ 62,405,279	\$ 64,010,181	\$ (1,604,902)

CITY OF LONG BEACH, NEW YORK

WATER FUND
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash -	
Demand deposits	\$ 45
Receivables:	
Water rents	1,873,307
Due from other funds	608,140
	<u>2,481,447</u>
Total Assets	<u>\$ 2,481,492</u>

LIABILITIES AND FUND DEFICIT

Liabilities:	
Accounts payable	\$ 512,890
Accrued liabilities	285,942
Due to retirement systems	80,883
Due to other funds	1,598,468
Advances from other funds	216,304
	<u>2,694,487</u>
Total Liabilities	
Fund Balance (Deficit):	
Assigned	3,309
Unassigned	(216,304)
	<u>(212,995)</u>
Total Fund Deficit	
Total Liabilities and Fund Deficit	<u>\$ 2,481,492</u>

CITY OF LONG BEACH, NEW YORK

WATER FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Departmental income	\$ 4,199,385	\$ 4,199,385	\$ 4,228,034	\$ 28,649
Licenses and permits	2,500	2,500	3,250	750
Sale of property and compensation for loss	3,600	3,600	12,400	8,800
Miscellaneous	-	-	36	36
Total Revenues	4,205,485	4,205,485	4,243,720	38,235
Expenditures:				
General government support	207,757	244,162	494,560	(250,398)
Home and community services	2,737,383	2,701,313	2,361,498	339,815
Employee benefits	621,100	621,100	666,424	(45,324)
Total Expenditures	3,566,240	3,566,575	3,522,482	44,093
Excess of Revenues Over Expenditures	639,245	638,910	721,238	82,328
Other Financing Uses - Transfers out	(671,727)	(671,727)	(911,635)	(239,908)
Net Change in Fund Balance	(32,482)	(32,817)	(190,397)	(157,580)
Fund Balance (Deficit) - Beginning of Year, as reported	32,482	32,817	(73,421)	(106,238)
Prior Period Adjustment	-	-	50,823	50,823
Fund Balance (Deficit) - Beginning of Year, as restated	32,482	32,817	(22,598)	(55,415)
Fund Deficit - End of Year	\$ -	\$ -	\$ (212,995)	\$ (212,995)

CITY OF LONG BEACH, NEW YORK

SEWER FUND
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash - Demand deposits	\$ 45
Receivables:	
Sewer rents	1,607,749
Due from other governments	237,279
Due from other funds	660,200
	<u>2,505,228</u>
Total Assets	<u>\$ 2,505,273</u>

LIABILITIES AND FUND DEFICIT

Liabilities:	
Accounts payable	\$ 981,330
Accrued liabilities	141,494
Due to other governments	60,662
Due to other funds	1,310,664
Advances from other funds	940,162
Total Liabilities	<u>3,434,312</u>
Fund Balance (Deficit):	
Assigned	11,123
Unassigned	(940,162)
Total Fund Deficit	<u>(929,039)</u>
Total Liabilities and Fund Deficit	<u>\$ 2,505,273</u>

CITY OF LONG BEACH, NEW YORK

SEWER FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Departmental income	\$ 4,408,030	\$ 4,408,030	\$ 3,932,181	\$ (475,849)
Intergovernmental charges	500,000	500,000	467,361	(32,639)
Use of money and property	40,000	40,000	24,696	(15,304)
Licenses and permits	1,500	1,500	4,500	3,000
Total Revenues	4,949,530	4,949,530	4,428,738	(520,792)
Expenditures:				
General government support	155,300	176,300	277,406	(101,106)
Home and community services	3,154,137	3,133,518	2,868,012	265,506
Employee benefits	615,700	615,700	675,558	(59,858)
Total Expenditures	3,925,137	3,925,518	3,820,976	104,542
Excess of Revenues Over Expenditures	1,024,393	1,024,012	607,762	(416,250)
Other Financing Sources (Uses):				
Transfers in	-	-	8,103	8,103
Transfers out	(1,042,526)	(1,042,526)	(1,110,753)	(68,227)
Total Other Financing Uses	(1,042,526)	(1,042,526)	(1,102,650)	(60,124)
Net Change in Fund Balance	(18,133)	(18,514)	(494,888)	(476,374)
Fund Balance (Deficit) - Beginning of Year, as reported	18,133	18,514	(472,268)	(490,782)
Prior Period Adjustment	-	-	38,117	38,117
Fund Balance (Deficit) - Beginning of Year, as restated	18,133	18,514	(434,151)	(452,665)
Fund Deficit - End of Year	\$ -	\$ -	\$ (929,039)	\$ (929,039)

CITY OF LONG BEACH, NEW YORK

DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash - Demand deposits	\$ 524,732
Investments	163,375
Due From Other Funds	<u>2,260,860</u>
Total Assets	<u>\$ 2,948,967</u>

LIABILITIES AND FUND BALANCE

Liabilities - Due to other funds	\$ 1,863,209
Fund Balance - Restricted	<u>1,085,758</u>
Total Liabilities and Fund Balance	<u>\$ 2,948,967</u>

CITY OF LONG BEACH, NEW YORK

DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Use of money and property	\$ 17,000	\$ 17,000	\$ 35,209	\$ 18,209
Expenditures -				
Debt Service:				
Principal:				
Serial bonds	3,630,000	3,630,000	4,130,000	(500,000)
Installment purchase debt	23,754	23,754	397,491	(373,737)
	3,653,754	3,653,754	4,527,491	(873,737)
Interest:				
Serial bonds	2,024,398	2,024,398	1,743,942	280,456
Installment purchase debt	3,743	3,743	99,498	(95,755)
	2,028,141	2,028,141	1,843,440	184,701
Total Expenditures	5,681,895	5,681,895	6,370,931	(689,036)
Deficiency of Revenues Over Expenditures	(5,664,895)	(5,664,895)	(6,335,722)	(670,827)
Other Financing Sources (Uses):				
Transfers in	5,664,895	5,664,895	6,370,930	706,035
Transfers out	-	-	(1,703,028)	(1,703,028)
Total Other Financing Sources	5,664,895	5,664,895	4,667,902	(996,993)
Net Change in Fund Balance	-	-	(1,667,820)	(1,667,820)
Fund Balance - Beginning of Year	-	-	2,753,578	2,753,578
Fund Balance - End of Year	\$ -	\$ -	\$ 1,085,758	\$ 1,085,758

CITY OF LONG BEACH, NEW YORK

CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash - Demand deposits	\$ 3,921,909
Receivables:	
Accounts	743,041
Due from other funds	44,174
	<u>787,215</u>
Total Assets	<u>\$ 4,709,124</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 720,500
Retainages payable	194,605
Due to other funds	194,218
	<u>1,109,323</u>
Total Liabilities	1,109,323
Fund Balance - Restricted	<u>3,599,801</u>
Total Liabilities and Fund Balance	<u>\$ 4,709,124</u>

CITY OF LONG BEACH, NEW YORK

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2011

Revenues:	
State aid	\$ 283,064
Federal aid	844,510
Miscellaneous	<u>578,922</u>
Total Revenues	1,706,496
Expenditures - Capital outlay	<u>5,523,849</u>
Deficiency of Revenues Over Expenditures	<u>(3,817,353)</u>
Other Financing Sources (Uses):	
Installment purchase debt issued	323,784
Transfers out	<u>(47,000)</u>
Total Other Financing Sources	<u>276,784</u>
Net Change in Fund Balance	(3,540,569)
Fund Balance - Beginning of Year	<u>7,140,370</u>
Fund Balance - End of Year	<u>\$ 3,599,801</u>

CITY OF LONG BEACH, NEW YORK

NON-MAJOR GOVERNMENTAL FUND
COMMUNITY DEVELOPMENT FUND
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash - Demand deposits	\$ 75,728
Receivables:	
Due from other governments	151,652
Due from other funds	189,815
	<u>341,467</u>
Total Assets	<u>\$ 417,195</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 85,778
Accrued liabilities	6,786
Due to other funds	322,421
	<u>414,985</u>
Total Liabilities	414,985
Fund Balance - Restricted	<u>2,210</u>
Total Liabilities and Fund Balance	<u>\$ 417,195</u>

CITY OF LONG BEACH, NEW YORK

NON-MAJOR GOVERNMENTAL FUND
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2011

Revenues:	
Use of money and property	\$ 82,962
Federal aid	<u>598,179</u>
Total Revenues	681,141
Expenditures - Current -	
Home and community services	<u>608,962</u>
Excess of Revenues	
Over Expenditures	72,179
Other Financing Uses -	
Transfers out	<u>(260,325)</u>
Net Change in Fund Balance	(188,146)
Fund Balance - Beginning of Year	<u>190,356</u>
Fund Balance - End of Year	<u>\$ 2,210</u>



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the City Manager and City Council
of the City of Long Beach, New York:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Long Beach, New York ("City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as findings items 2011-01 – 2011-03. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter.

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

January 11, 2012



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the City Manager and Common Council of the
City of Long Beach, New York:

Compliance

We have audited the City of Long Beach, New York's ("City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
January 11, 2012

CITY OF LONG BEACH, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Federal Program Expenditures</u>
<u>U.S. Department of Transportation</u>		
Indirect Program - Passed through New York State Department of Transportation:		
Highway Planning and Construction	20.205	\$ 239,006
Federal Formula Transit Grant	20.507	<u>635,374</u>
Total U.S. Department of Transportation		874,380
<u>U.S. Department of Housing and Urban Development</u>		
Indirect Program - Passed through Nassau County -		
Community Development Block Grant	14.218	598,179
<u>U.S. Department of Homeland Security</u>		
Indirect Program - Passed through New York State Emergency Management Office -		
Disaster Grants - Public Assistance	97.036	<u>250,424</u>
Total		<u>\$ 1,722,983</u>

(1) Catalog of Federal Domestic Assistance number.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal award programs for the year ended June 30, 2011. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The City's governmental fund financial statements are presented using the modified accrual basis of accounting.

CITY OF LONG BEACH, NEW YORK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

Findings 2010-1 and 2010-2

Condition: It was noted that many of the approved expenditures of the Community Development Agency are not being recorded in the proper general ledger accounts.

Current Status: The condition remained uncorrected. See similar finding 2011-01.

CITY OF LONG BEACH, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- | | | |
|---|------------------|---------------------------|
| • Material weakness(es) identified | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> X </u> yes | <u> </u> none reported |
| • Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|---|-----------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(ies) identified? | <u> </u> yes | <u> X </u> none reported |

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.507
14.218

Federal Formula Transit Grant
Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$300,000
 Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2011

Section II - Financial Statement Findings

Finding 2011-01: Proper Recording of Expenditures in Community Development

Criteria: The Community Development Agency is required to monitor both actual expenditures against the current approved budget as well as to monitor unused funds from prior year's budgets. In order to do this properly, it is imperative that expenditures be coded to the proper general ledger accounts and be recorded in the proper accounting period.

Condition: We noted that many of the approved expenditures are not being recorded in the correct accounts in the general ledger nor were they all being reported in the proper accounting period. A similar finding was noted in 2009.

Cause: Lack of communication between Community Development Agency personnel and the City's finance department.

Effect or Potential Effect: Failure to perform monthly detailed review may result in various overstatement/understatement of expenditures which leads to improper reimbursement requests from the County.

Recommendation: Improvement of accounting procedures must be a priority. These improvements must be implemented on both the programmatic side as well as the accounting controls within the accounting department, so that transactions are recorded properly and so that proper reimbursements are received.

Management's Response: Management is in agreement with the finding and will take corrective action.

Finding 2011-02: Matching Principle

Criteria: Since the Community Development Agency programs are cost reimbursement type programs, the accounting treatment requires the matching of revenues to the corresponding expenditures.

Condition: We noted that revenues are being recorded on essentially a cash basis.

Cause: Lack of understanding of grant fund accounting and matching of revenues and expenditures principle of generally accepted accounting principles.

Effect or Potential Effect: Inaccurate reporting of financial information for the Community Development Fund.

Recommendation: Implementation of new monthly procedures to ensure that for all expenditures incurred a corresponding revenue be recorded and billed with the County.

Management's Response: Management is in agreement with the finding and will take corrective action.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)
YEAR ENDED JUNE 30, 2011

Finding 2011-03: Reimbursement Claims Procedures

Criteria: All claims reimbursable through the County of Nassau under the Community Development Block Grant Federal program are submitted on a timely basis and that a system exists to track claims waiting to be reimbursed.

Condition: Several claims submitted have not been reimbursed. There are no follow-up procedures in place to determine why a claim has been denied. There are also no procedures in place to ensure that all claims have been submitted for reimbursement.

Cause: Lack of experience and methodology to track and follow-up on outstanding claims.

Effect or Potential Effect: Expenditures associated with denied or unsubmitted claims would have to be charged back to the General Fund.

Recommendation: Provide training and implement procedures to track all claims submitted to the County and also have follow-up procedures in place to ensure receipt of all claims and create documentation when claims are denied.

Management's Response: Management is in agreement with the finding and will take corrective action.

Section III - Federal Award Findings and Questioned Costs

None